



Dora
Department of Regulatory Agencies

REPORT OF FINANCIAL EXAMINATION

AS OF DECEMBER 31, 2010

SECURITY LIFE OF DENVER INSURANCE COMPANY

**1290 BROADWAY
DENVER, COLORADO 80203**

**NAIC Company Code 68713
NAIC Group Code 00229**



Conducted by:

COLORADO DIVISION OF INSURANCE

CERTIFICATE OF COPY

I, **Jim Riesberg**, Commissioner of Insurance of the State of Colorado, do hereby certify that the attached is a true and correct copy of the Financial Examination Report as of December 31, 2010 for **Security Life of Denver Insurance Company** now on file as a record of this office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal of office at the City and County of Denver on this 7th day of March 2012.

A handwritten signature in cursive script that reads "Jim Riesberg".

Jim Riesberg
Commissioner of Insurance

Report of Financial Examination as of December 31, 2010	Security Life of Denver Insurance Company	
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REPORT OF FINANCIAL EXAMINATION

OF

SECURITY LIFE OF DENVER INSURANCE COMPANY

1290 Broadway
Denver, Colorado 80203

AS OF

DECEMBER 31, 2010

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Atlanta, Georgia
December 9, 2011

Honorable Jim Riesberg, Commissioner
Division of Insurance
State of Colorado
1560 Broadway, Suite 850
Denver, Colorado 80202

Honorable Monica J. Lindeen, Commissioner
Secretary, Western Zone, NAIC
Montana Office of the Commissioner of
Securities and Insurance
840 Helena Avenue
Helena, Montana 59601

Joseph Torti, III, Superintendent
Chair, Financial Condition (E) Committee, NAIC
State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Building 69-2
Cranston, Rhode Island 02920

Commissioners and Superintendent:

Pursuant to your instructions and in compliance with Section 10-1-201, et seq., C.R.S., a financial examination has been made of the financial condition and affairs of:

SECURITY LIFE OF DENVER INSURANCE COMPANY

Statutory Home Office:
1290 Broadway
Denver, Colorado 80203

Primary Location of Books and Records:
5780 Powers Ferry Road
Atlanta, Georgia, 30327

and the report thereon is respectfully submitted.

Security Life of Denver Insurance Company, hereinafter referred to as the "Company," was previously examined as of December 31, 2007, under the Association Plan of the National Association of Insurance Commissioners "NAIC". That examination was conducted by Eide Bailey LLP under the direction of the Colorado Division of Insurance hereinafter referred to as the "Division".

This financial examination was conducted by the firm RSM McGladrey, under the direction of the Division. No other states participated on this examination.

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SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The last examination was completed as of December 31, 2007. This examination covers the period of January 1, 2008 through December 31, 2010.

We conducted our examination in accordance with the Colorado Examiners Handbook and the NAIC Financial Condition Examiners Handbook "Handbook". The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Additional factors included an analytical review of financial data, the Company's financial performance during the examination period, prior examination findings and materiality. Consideration was also given to the use of audit work performed by the Company's independent accounting firm. All phases of the examination were conducted to determine compliance with the insurance laws and regulations of the State of Colorado. Specific details pertaining to the various phases of the examination are set forth under the appropriate caption in subsequent sections of this report.

Included in the examination was a review or audit of the following matters as called for in the Handbook and not otherwise commented upon in the report:

Dividends to Stockholders

The determination to reflect financial adjustments in the financial statements was dependent upon: the materiality of a particular adjustment; the materiality of the total of all immaterial adjustments; and/or compliance with pertinent laws and regulations. Materiality was determined based on the Company's surplus, admitted assets and/or operating results.

This examination does not address market conduct issues related to policy forms or rates, policyholder treatment and claims settlement practices. These issues are addressed in separate market conduct examinations conducted periodically by the Division.

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SUBSEQUENT EVENTS

In October 2009, ING Groep N.V. Netherlands (“ING”) announced key components of a final Restructuring Plan as part of the process to receive European Commission approval for the state aid granted to ING by the Dutch State in November 2008 (EUR 10billion Core Tier 1 securities) and March 2009 (Illiquid Assets Back Up Facility covering ING’s Alt-A securities between ING and the Dutch State).

As part of the Restructuring Plan, ING agreed to separate its banking and insurance businesses by 2013. ING intends to achieve this separation by divestment of its insurance and investment management operations, including the Company. ING has announced that it will explore all options for implementing the separation including initial public offerings, sales or combinations thereof.

The Restructuring Plan was approved by the European Commission, with conditions, and by ING shareholders, in November 2009. At the end of January 2010, ING announced the filing of the appeal with the General Court of the European Union against specific elements of the European Commission’s decision regarding the Restructuring Plan (the “Appeal”). The Appeal remains pending. However, despite the appeal, ING is committed to executing the formal separation of banking and insurance and the divestment of the latter.

It is possible that the outcome of the Appeal, and/or the implementation of the Restructuring Plan, could have a material effect upon the capital structure of the ultimate holding company. However, management does not believe that either the Appeal or the implementation of the Restructuring Plan will have a material effect upon the solvency of the ultimate holding company.

On December 30, 2010, Whisperingwind III received approval from the South Carolina Department of Insurance to declare and pay a one-time dividend of \$10,000,000 to the Company. The dividend was recorded by the Company on December 31, 2010, and the cash was received on January 12, 2011.

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COMPANY HISTORY

History

The present corporate entity is the result of the consolidation of Security Life and Accident Company and Centennial Casualty Company in December 1959.

Security Life and Accident Company was originally incorporated in Colorado as a capital stock life insurance company on August 13, 1929 under the then name of Gibraltar Life and Accident Company. The corporate name was subsequently changed to Colorado Life Company on February 28, 1934 and to Security Life and Accident Company on February 17, 1941.

Centennial Casualty Company, a capital stock casualty company, was incorporated under the laws of the State of Colorado on November 19, 1949 and commenced business on May 12, 1950. In 1958, all outstanding shares of Centennial Casualty were acquired by Security Life and Accident Company.

During 1959, Centennial Casualty Company was restructured into a capital stock life insurance company and its name was changed to Centennial Life Insurance Company. Security Life and Accident Company then merged into its subsidiary, Centennial Life Insurance Company, with the surviving corporation changing its name to Security Life and Accident Company.

The present name, Security Life of Denver Insurance Company, was adopted by its shareholders on May 13, 1981. In 2002, the Company merged with First Columbine Life Insurance Company. Effective October 1, 2004, Southland Life Insurance Company was merged into the Company.

As set forth in the Articles of Incorporation, the purposes of the Company are to make insurance and reinsurance on the lives of persons and to transact the business of insurance, which is authorized by statute for a company so organized and licensed.

In accordance with the Certificate of Authority issued by the Division, the Company is authorized to write general life, credit life, accident and health, and annuity lines of business.

Capital

For the period under examination, the authorized capital has remained at \$2,880,000, which is comprised of 144 shares of common stock with a par value of \$20,000 per share.

There were no changes to the Company's capital stock during the period from January 1, 2008 through December 31, 2010.

Surplus Debentures

As of December 31, 2010, the Company had two outstanding surplus notes with an aggregate balance of \$165,031,867. The first surplus note was issued in 1994 and the second in 2000. The terms of each surplus note allow the Company to draw up to \$100,000,000 at its discretion. The full face amount available for each has been drawn. Prior to the current examination period, the Company made total principal and interest payments of \$34,968,133 toward the amounts drawn on the 1994 surplus note. These payments were approved by the Division in accordance with Section 10-3-239, C.R.S.

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The original surplus notes were issued to the Company's parent, ING America Insurance Holdings Inc., (ING AIH) and on January 1, 2001 were assigned to an affiliate, Lion Connecticut Holdings, Inc.

In accordance with the terms of the surplus notes, repayment cannot commence until prior written approval is obtained from the Division. Repayment cannot be made unless, after repayment, the ratio of adjusted capital to company action level is at least 150%, as determined by the NAIC risk based capital computations. The 1994 surplus note was amended twice to reflect changes in the repayment schedule, and was later restated to reflect the assignment noted above and these amendments. The surplus notes, related amendments, and assignment comply with Section 10-3-239, C.R.S., and have been approved by the Division. There was no repayment of principal or interest made on either of the surplus notes during the period covered by this examination.

CORPORATE RECORDS

There were no amendments to the Articles of Incorporation or the Company by-laws during the period covered by this examination. The Articles of Incorporation, by-laws, and all amendments thereto, as well as minutes of the stockholders and board of directors for the period under examination were reviewed. It was determined that the Company is conducting its affairs in accordance with the provisions of its by-laws. All official acts of the directors, and officers were ratified at each annual stockholders meeting.

The board reviews and ratifies investments on a quarterly basis as required by Section 10-3-234, C.R.S. Investments are made in accordance with a written investment policy that was approved by the Company's board of directors on March 24, 2005. The investment policy is reviewed and updated periodically. The board of directors has authorized investment officers to execute investment transactions on behalf of the board.

Stockholder Meetings

The by-laws provide that the annual meeting of shareholders be held at such date and time as the board may designate for the election of directors, a chairman and the transaction of such other business as may come before the board.

Special meetings of shareholders may be called by: the chairman of the board, the board of directors acting upon a majority vote, the president, or the secretary of the Company. A written notice of a meeting, stating the time and place and, in the case of special meetings, the purpose for the meeting, must be delivered to each shareholder entitled to vote at the meeting. Any action required to be taken by the shareholders may be taken without a meeting if written consent for such action is given by all shareholders entitled to vote on such matters.

A majority of the outstanding shares, represented in person or by proxy, constitutes a quorum for the transaction of business. The action of a majority of the shareholders present at a meeting in which a quorum exists represents the act of the shareholders.

At all meetings of the shareholders, each shareholder may cast one vote in person or by proxy for each share held.

The Company held three annual shareholder meetings during the period under examination.

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Board of Directors Meetings

Pursuant to the by-laws the board may hold regular meetings at such time and place fixed by the board from time to time. The chairman, president, secretary or any other member of the board may call special meetings. Meetings of the board were held at least quarterly throughout the period covered by this examination.

A majority of directors constitutes a quorum for the transaction of business. The action of a majority of the directors present at a meeting in which a quorum exists represents the act of the board of directors.

MANAGEMENT AND CONTROL

Board of Directors

The Company's by-laws, provide that the business and affairs of the Company shall be managed by a board of directors consisting of not less than five or more than fifteen members. The by-laws allow the number of directors to be increased or decreased by amendment to the by-laws or Articles of Incorporation. Directors are elected at the annual meeting of the shareholders and serve a term until a successor is elected and qualified or until the earlier of resignation or removal. The board is assigned the power to exercise general supervision over the business affairs of the Company.

Directors were duly elected and serving at December 31, 2010, together with their state of residence and business affiliation, as follows:

<u>Name & Address</u>	<u>Principal Occupation</u>
Donald W. Britton Minneapolis, MN	President Security Life of Denver Insurance Company
Thomas J. McInerney Weatogue, CT	Chairman Security Life of Denver Insurance Company
Ewout L. Steenberg New York, NY	EVP and Chief Financial Officer Security Life of Denver Insurance Company
Lynne R. Ford Charlotte, NC	Executive Vice President ING Financial Solutions
Catherine H. Smith Northford, CT	Senior Vice President Security Life of Denver Insurance Company
Robert G. Leary Greenwich, CT	President and Chief Executive Officer ING North America Insurance Corporation
Michael S. Smith Phoenixville, PA	President ING USA Annuity and Life Insurance Company

It is noted that all the directors, except for Thomas McInerney who resigned December 31, 2010, and Lynne Ford who resigned November 30, 2011, were still serving the Company as of the date of this examination report. Patrick Flynn replaced Thomas McInerney on January 1, 2011.

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Officers

The operations of the Company and general supervision of its business affairs are under the direction of its corporate officers. The by-laws provide that shareholders may elect a chairman of the board and provide that the board of directors elect a president, treasurer, secretary and one or more vice presidents and secretaries. In addition, the board may annually elect other officers and assistant officers as may be deemed necessary.

The chairman of the board presides at all meetings of the shareholders and the board of directors and shall perform other duties as prescribed by the board.

In accordance with the by-laws, the president shall have operational charge and management of the affairs, property and business of the Company, as well as all duties prescribed by the board from time to time. The president shall also be responsible to ensure that all directives and resolutions of the board are carried into effect. Any business unit president, appointed by the president, shall be the chief operating executive for and shall have supervisory authority over the business unit for which he is appointed.

The following officers, as well as other senior vice presidents and vice presidents, were duly elected and serving and their respective offices held, at December 31, 2010 are:

<u>Name</u>	<u>Title</u>
Donald W. Britton	President
Joy M. Benner	Secretary
Francis de Regnaucourt	VP and Appointed Actuary
David S. Pendergrass	Senior Vice President and Treasurer
Boyd G. Combs	Senior Vice President, Tax
Steven T. Pierson	Senior Vice President, and Chief Accounting Officer
Catherine H. Smith	Senior Vice President
Ewout L. Steenberg	EVP and Chief Financial Officer
Timothy T. Matson	Senior Vice President
Prakash A. Shimpi	Senior Vice President
Daniel P. Mulheran, Sr.	Senior Vice President

It is noted that the officers were still serving the Company as of the date of this examination report.

Conflict of Interest

The Company's conflict of interest disclosure process requires directors, officers and key employees to complete a conflict of interest disclosure statement on an annual basis. It was noted the Company's key employees, officers and directors properly completed these conflict of interest statements for all years covered by this examination. The conflict of interest statements are reviewed by the corporate secretary and by the ING Business Ethics Committee, an ING AIH board committee. The Company's conflict of interest process was determined to effectively disclose conflicts of interest as defined by its conflict of interest policy.

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Fidelity Bond and Other Insurance

The examination of insurance coverages involved a review of the adequacy of limits and retentions, and whether the insurers were licensed in the State of Colorado. The Company's limit of liability is for \$105,948,750 against losses from acts of dishonesty and fraud by its employee. This fidelity bond coverage was found to meet the minimum standards required by the provision of Colorado Insurance Regulation 3-1-1.

Employees' and Agents' Welfare

As a subsidiary of ING AIH, the Company offers a variety of insurance benefits to its employees, including life, accidental death and disability, long term disability, health and dental. The Company also offers its employees a pension plan and a 401(k) plan. The Company does not provide benefits to its independent agents.

AFFILIATED COMPANIES

Organizational Chart

An abbreviated organizational chart depicting the Company's relationship with its parent and affiliates, as of December 31, 2010, is presented below:

ING GROEP N.V. (The Netherlands)

100% - ING VERZEKERUNGEN N.V. (The Netherlands)

100% -ING INSURANCE INTERNATIONAL B.V. (The Netherlands)

100% - ING AMERICA INSURANCE HOLDINGS, INC., (Delaware) (non insurer)

100% - ING North America Insurance Corporation

100% - Lion Connecticut Holdings Inc. (Connecticut) (non insurer)

100% - ING Investment Management LLC (Delaware) (non insurer)

100% - ING Life Insurance and Annuity Company (Connecticut)

100% - ING USA Annuity and Insurance Life Company (Iowa)

100% - ReliaStar Life Insurance Company (Minnesota)

100% - ReliaStar Life Insurance Company of New York (New York)

100% - **Security Life of Denver Insurance Company (Colorado)**

100% - ING America Equities, Inc. (Colorado) (non insurer)

100% - Midwestern United Life Insurance Company (Indiana)

100% - Whisperingwind III, LLC (South Carolina)

100% - Security Life of Denver International Limited (Bermuda)

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Parent, Subsidiaries and Affiliates

The Company is a member of a holding company system whereby ING is the ultimate parent of the group. ING owns ING Verzekeringen N.V. Netherlands which owns ING Insurance International B.V. Netherlands which in turn owns ING AIH. The Company is a wholly owned subsidiary of ING AIH. The Company is the parent to: Midwestern United Life Insurance Company (“Midwestern”), an Indiana domiciled insurer, Whisperingwind III, LLC, a South Carolina insurer and one non-insurer subsidiary.

The ultimate parent of the group, ING, offers banking, insurance and asset management services in over 50 countries. On a consolidated basis, the insurance operations of ING are organized into three centers which include Europe, the Americas and Asia/Pacific. All US insurance operations are organized under the holding company, ING AIH. Within ING AIH the US operations are segregated by management centers comprised of the following business units: U.S Insurance (including Retail and Employee Benefits), Legacy Annuity (including Financial Products), and Retirement Services.

Holding Company Filings

The Company is a member of an insurance holding company system as defined in Section 10-3-801(4), C.R.S. As a member of an insurance holding company system, the Company filed Forms B and C with the Division for all years under review in accordance with Section 10-3-804, C.R.S. The filings contained the required information pertaining to transactions, relationships and agreements with affiliates.

Service and Management Agreements

The Company was party to the following service and/or management agreements with affiliates:

Administrative Service Agreement – ING North America Insurance Corporation:

Effective January 1, 2001, The Company entered into a Services Agreement with its affiliate, ING North America Insurance Corporation (“ING NA”), under which ING NA provides certain administrative, management, professional, advisory, consulting and other services from time to time. This Services Agreement was approved by the Division on June 19, 2001. In 2010, the amount of fees paid by the Company under this agreement was \$40,369,280.91. The Agreement was amended, effective September 11, 2006, to clarify that ING NA with the Company’s consent, may subcontract with any third party for the performance of services requested by ING NA provided that ING NA remains responsible for the performance of such services by any such subcontractors.

Administrative Service Agreement – Affiliates:

Effective January 1, 2001, the Company entered into a Services Agreement with its affiliated insurance companies, all of which are under the common control of ING. Pursuant to this Services Agreement, the parties to the agreement provide certain administrative, management, professional, advisory, consulting and other services to one another, as needed, in an effort to achieve operating economies and expense savings, and to utilize one another’s expertise and resources. An amendment to the Services Agreement, filed on January 16, 2003, added new Exhibits A-13 “Financial Management Services for Retail Products” and A-14 “Pricing, Trading, Performance and Accounting Services for Variable Products.” Pursuant to this Services Agreement, the Company received a payment of \$32,598.26 from its subsidiary, Midwestern in 2010. Effective December 31, 2007, the Services Agreement was amended to conform to SSAP 96 settlement requirements for intercompany transactions. Amendment 2008-1, effective October 1, 2008, amendment (i) adds another affiliate to the agreement; (ii) amends Exhibit B of the Agreement to reflect deletions/additions of parties as a result of mergers and dispositions since the effective date of the Agreement; and (iii) updates the

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Exhibits of Services to clarify the inclusion of the provision of services with respect to non-insurance products as well as insurance products.

Administrative Services Agreement – ReliaStar Life Insurance Company of New York:

Effective March 1, 2003, the Company entered into an Administrative Services Agreement with an affiliate, ReliaStar Life Insurance Company of New York (“RLNY”) and certain other affiliated insurance companies, under which the Company and its affiliates provide certain administrative, management, professional, advisory, consulting and other services to RLNY. A First Amendment to the Administrative Services Agreement, effective as of August 1, 2004, included a term provision, and revised the parties to the agreement. The First Amendment was approved by the Division on July 8, 2004. During 2010, the amount of fees allocated to the Company under this agreement was \$315,316.

Administrative Service Agreement – Whisperingwind III, LLC:

Effective June 28, 2007 the Company and its affiliate, ING NA, entered into a Services Agreement with its affiliate, Whisperingwind III, LLC (“WIII”), a South Carolina special purpose financial captive company. The Agreement provides that WIII will receive administrative support from the Company and ING NA to enable it to carry on its business, including regulatory reporting and compliance, legal, accounting and financial reporting, tax reporting, and assistance with the administration of WIII business from the Company. During 2010 the amount of fees received by the Company under this agreement was \$566,285.

Investment Management Agreement – ING Investment Management LLC:

Effective January 1, 1998, the Company entered into an agreement with its affiliate, ING Investment Management, LLC (“ING IM”), a Delaware limited liability company. The agreement provides for ING IM to furnish investment advisory and management services. In 2010, the amount of fees paid by the Company under this agreement was \$28,701,332. Effective January 1, 2009, Amendment Number 4 to the Agreement updated the Fee Schedule.

Letter Agreement – ING IM:

The Company has entered into a Letter Agreement, effective as of January 1, 2005, with ING IM wherein ING IM will provide investment accounting and reporting services on the assets in the Company’s Modco portfolio that are managed by non-affiliates. ING IM will provide the investment accounting services at no cost to the Company.

Reciprocal Loan Agreement – ING AIH:

Effective July 1, 2005, the Company entered into a reciprocal loan agreement with its parent, ING AIH. The Company and ING AIH agree to make short-term cash loans and borrowings to and from each other. This agreement replaced a previous reciprocal loan agreement. At year-end 2010, no funds were due to/from ING AIH

Guaranty Agreement – Security Life of Denver International Limited:

Effective as of January 1, 2002, the Company, together with its affiliate, ReliaStar Life Insurance Company (ReliaStar), entered into a guarantee agreement for the benefit of its (Cayman) affiliate, Security Life of Denver International Limited (SLDI), whereby the Company and ReliaStar, jointly and severally, agreed to guarantee payments due by SLDI to Financial Security Assurance Inc. (“FSA”) pursuant to a reinsurance agreement between SLDI and FSA. The aggregate payments by the Company and ReliaStar, as guarantors, shall not exceed the sum of \$250,000,000 and SLDI’s share of loss expenses.

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Guaranty Agreement – Midwestern:

The Company entered into a Guaranty Agreement with its subsidiary, Midwestern dated July 24, 1998, whereby the Company has issued an unconditional guarantee of all obligations to the policyholders of Midwestern. The contingent statutory liability for this guarantee was \$126,780,805 as of December 31, 2010.

Tax Sharing Agreements – ING AIH:

Effective January 1, 2001, the Company entered into Tax Sharing Agreements (one for the ING federal consolidated tax return and one for any applicable state or local income tax returns) with its holding company, ING AIH, and certain of ING AIH's other subsidiaries. Under the terms of the federal Tax Sharing Agreement, in September of 2010, the Company paid a final settlement from ING AIH (for the tax year ended December 31, 2009) of \$19,852,628. The consolidated federal income tax return is filed on September 15, in accordance with IRS guidelines. The amounts owed for the 2010 tax year were properly accrued at December 31, 2010.

All of the preceding agreements were submitted to the Division pursuant to the requirements of Section 10-3-805(4)(a), C.R.S. and Colorado Insurance Regulation 3-4-1.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is licensed to transact business in all states, the District of Columbia, Guam, Puerto Rico and the US Virgin Islands. In New York and Puerto Rico, the Company is an authorized reinsurer only.

Certificates of Authority and/or other evidence of permission to do business in the respective states and territories were reviewed and found to be in proper order and effect.

Plan of Operation

The Company conducts its operations primarily through two business units: Retail Life and Financial Products.

The Company's Retail Life business unit markets its portfolio of life insurance products through both the general agency and personal producing general agent channels. Marketing is managed both by account and geographic region. Account management involves marketing with national organizations of general agencies as well as national organizations of personal producing general agents. The Company employs account managers and regional field personnel to recruit, select, and service these relationships.

General agency and personal producing general agent contracts are signed directly with the Company. General agencies also may contract with its agents for the Company. These parties must all be duly licensed and appointed as required by the states in which they do business with the Company. General agencies and personal producing general agents do not have authority to bind coverage with the Company. The Company provides general agencies and personal producing general agents with the Company's rules and requirements for conducting business with the Company. Home office and field personnel provide training and education to general agencies and personal producing general agents.

General agencies and personal producing general agents are compensated based on a commission schedule set by the Company. General agencies determine the commission schedule for its agents.

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The Company has a marketing relationship with a group of agents referred to as the M Group. These agents write large corporate risks, key person coverages, estate planning products and other specialty coverages. The M Group agents receive commissions, and also share in the profits generated by the business they write, through their ownership interests in M Life Insurance Company ("M Life").

The Financial Products (formally known as Institutional Markets) business unit sells guaranteed interest contracts and funding agreements to its institutional buyers such as stable value pension plans and fund managers, securities lending programs, money market funds, and corporations. It also manages certain securities lending transactions. The sales are supervised by the senior management team of the business unit. This business unit is in run-off, although new assets and liabilities may be generated at times, in order to keep the balances properly matched as the block declines.

GROWTH OF THE COMPANY

The growth of the Company for the years under examination is presented in the following schedules, which were prepared from information contained in the Company's annual statements for the years indicated. The amounts reported below for 2010 were determined by examination.

<u>Year</u>	<u>Admitted assets (including separate accounts)</u>	<u>Liabilities (including separate accounts)</u>	<u>Capital</u>	<u>Surplus</u>
2008	\$24,264,720,499	\$22,825,766,730	\$2,880,000	\$1,436,073,769
2009	20,770,377,987	19,072,905,493	2,880,000	1,694,592,494
2010	19,251,314,679	17,794,257,352	2,880,000	1,454,159,327

A schedule of life insurance written or increased terminated and in force for the years under examination follows:

<u>Year-end</u>	<u>Written or increased</u>	<u>Terminations by death</u>	<u>Other terminations</u>	<u>Insurance in force</u>
2008	\$9,247,906	\$ 490,891	\$42,922,649	\$619,007,174
2009	5,035,609	513,817	45,324,850	578,204,116
2010	5,015,912	1,706,210	46,907,370	534,606,448

A summary of premium income for the years under examination, as reported by line of business (net of reinsurance ceded), is as follows:

<u>Year</u>	<u>Individual and Group Life</u>	<u>Individual and Group Annuities</u>	<u>Group Accident and Health Insurance</u>
2008	\$559,378,698	\$ 542,495,652	\$246,077,548
2009	489,043,961	253,320,800	208,176,595
2010	455,615,944	1,618,525,641	105,975,956

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Business In Force by State

Life insurance in force and premium collected for 2010, by line of business, is allocated by state as follows:

State	Life insurance in force	Life insurance premiums
California	\$10,228,337,377	\$ 95,147,658
Colorado	2,050,769,968	23,637,480
Florida	6,176,116,034	78,535,754
Georgia	2,794,808,078	16,685,619
Illinois	4,108,422,908	66,613,866
Minnesota	1,530,326,997	16,718,607
New Jersey	1,471,916,828	21,237,034
Ohio	2,203,875,694	18,118,606
Pennsylvania	2,901,162,427	25,610,292
Texas	6,568,485,400	57,640,871
Aggregate Other States	28,939,296,536	294,627,389
Subtotal	\$68,973,518,247	\$ 714,573,176
Dividends or refunds and premium consideration waived		6,008,310
Total (Direct Business)		\$ 720,581,486
Plus reinsurance assumed		1,248,019,650
Less reinsurance ceded		1,528,057,718
TOTAL	\$68,973,518,247	\$ 440,543,418

The above amounts were compiled from the Company's 2010 annual statement.

Mortality and Loss Experience

The mortality and loss experience on life and accident and health business is presented in the following schedules:

Life Policies

Year	Death benefits incurred	Reserves released	Net benefits (actual)	Tabular cost (expected)	Ratio of net actual to expected mortality
2008	\$184,854,269	\$166,055,533	\$18,798,736	\$307,022,816	6.1%
2009	205,235,469	117,707,476	87,527,993	265,900,308	32.9
2010	217,129,234	133,895,522	83,233,712	278,064,122	29.9

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Accident & Health Policies

Year	Premiums earned	Incurred claims and cost containment expenses	Total expenses incurred	Loss and loss expense ratio%	Underwriting ratio%	Combined ratio %
2008	\$246,532,689	\$243,902,413	\$ 1,940,521	98.9	.8	99.7
2009	208,149,460	260,257,409	83,729,052	125.0	40.2	165.2
2010	106,250,533	68,182,141	43,318,029	64.2	40.8	105.0

*A combined ratio of greater than 100% is the result of a net underwriting loss

REINSURANCE

The Company manages its reinsurance programs by business unit. The principle business units are Retail Life, Legacy Annuity, Financial Products, Individual Reinsurance, Life of Georgia and Corporate Non Operating. Corporate policies, practices, and controls to mitigate risk relative to reinsurance and its needs and use were examined and found to be adequate.

Ceded

The Company has a large number of reinsurance agreements that provide automatic and facultative coverage for amounts in excess of the Company's retention, as well as for catastrophic occurrences. Individual life risks, both direct and assumed, that exceed the Company's retention are automatically reinsured through one or more reinsurance pools. The pool members and participation levels may be renewed or may change annually.

The Company, as part of the ING Retention Group, has per life retention limits on its single life and second-to-die permanent life products generally as follows:

<u>Rating</u>	<u>Ages 0-70</u>	<u>Ages 71-75</u>	<u>Ages 76-80</u>	<u>Ages 81-85</u>
Standard – Table 4	\$10,000,000	\$10,000,000	\$6,000,000	\$4,000,000
Table 5–8	9,000,000	6,000,000	0	0
Table 9-16	3,000,000	0	0	0

The reinsurers' limits are based on a function of rating class and issue age. Below is a summary of the Company's automatic binding limits on its new business pools:

<u>Rating</u>	<u>Ages 0-70</u>	<u>Ages 71-75</u>	<u>Ages 76-80</u>	<u>Ages 81-85</u>
Standard – Table 4	\$50,000,000	\$45,000,000	\$27,000,000	\$18,000,000
Table 5–8	40,500,000	27,000,000	0	0
Table 9-16	13,500,000	0	0	0

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The Company's total reported reinsurance ceded reserve credits at December 31, 2010 were comprised of the following:

<u>Business Unit</u>	<u>Reserves</u>
Individual Reinsurance – TPA	\$6,085,883,771
Retail Life	1,092,164,110
Legacy Annuity	0
Life of Georgia – TPA	417,885,639
Corporate Non Operating - TPA	35,845,346
Accident & Health	<u>8,484,499</u>
Total Ceded Business	<u>\$7,640,263,365</u>

The significant ceded components include Individual Reinsurance business retroceded to Hanover Re and cessions made by the Company's Retail Life business unit. In addition to the reserve credits shown above, the Company also recorded reinsurance recoverable on claims paid of \$153,381,864 as of December 31, 2010.

Changes to reinsurance treaties during the period include:

Individual reinsurance:

In November 2008, an existing reinsurance agreement between Scottish Re Inc (US) (“Scottish Re”) and Ballantyne Re PLC (Ireland) (“Ballantyne Re”) concerning a portion of the business that was originally ceded to Scottish Re as part of the 2004 transaction reported in the previous examination, was novated with the result that the Company was substituted for Scottish Re as the ceding company to Ballantyne Re and made the sole beneficiary of the trust assets connected with the Ballantyne Re facility. The trust assets support the reserve requirements of the business transferred from the Company to Ballantyne Re.

Due to a decline in the credit rating of the Scottish Re Group of companies, Hannover Life Reassurance Company of America (“Hannover Life”) and Hannover Life Reassurance (Ireland) Limited replaced Scottish Re and Scottish Bermuda as reinsurers and administrator of the individual reinsurance assumed business of the Company effective January 1, 2009.

The Company currently has a significant concentration of reinsurance with Hannover Life arising from the 2009 transaction. The Company is the beneficiary of, and has a perfected security interest in, all assets in trust to secure Ballantyne Re's obligation as reinsurer. The Company has limited its reinsurance exposure remaining with Scottish Re.

Retail life:

A new Monthly Renewable Term (“MRT”) International Pool was established effective January 1, 2008. It covers policies issued on or after the effective date to individuals aged 18 - 70 living in or traveling to foreign countries. There are eight reinsurers in the pool. The Company's retention varies from \$6,000,000 to \$1,000,000 depending upon area of residence or travel. Maximum limits for the reinsurers are their quota share of \$24,000,000 to \$4,000,000 depending upon area of residence or travel.

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Effective January 1, 2008 there was also a new Coinsurance and Modified Coinsurance agreement with affiliate Security Life of Denver International (Cayman Islands) covering specified types of universal life policies with guarantees.

Assumed

The Company's total reported reinsurance assumed reserves of \$8,369,000,758 at December 31, 2010 were comprised of the following:

<u>Business Unit</u>	<u>Reserves</u>
Individual Reinsurance – TPA	\$6,252,647,548
Legacy Annuities	1,548,130,905
Retail Life	346,815,413
Financial Products	64,463,271
Life of Georgia - TPA	35,248,577
Accident and Health	<u>121,695,046</u>
	<u>\$8,369,000,758</u>
Total Assumed Business	

As noted in the table above, the largest segment of the Company's assumed business as of December 31, 2010, was its Individual Reinsurance assumed business, almost all from non-affiliates. The Company's individual reinsurance business is almost 100% retro-ceded to Hannover Re (U.S.) and indirectly to Hannover Life Reinsurance (Ireland) effective January 1, 2009. (Please refer to the Ceded section of the report above). As a result, the Company no longer retains any significant assumed business from non-affiliated insurers.

The remaining assumed business was primarily assumed from affiliates. The largest segment of the affiliate assumed business at December 31, 2010 was Legacy Annuity which was comprised of annuity business assumed from the Company's affiliate ING USA Annuity and Life Insurance Company.

ACCOUNTS AND RECORDS

A trial balance was obtained from the Company for the year ending December 31, 2010 and traced to the appropriate assets, liabilities and income & expense exhibits of the 2010 Annual Statement. The examination of assets and liabilities revealed no material differences in the accounts reported on the trial balance.

The Company utilizes multiple information system applications to conduct its operations and to maintain its accounts and records. Generally, applications vary by business unit and by business process. The Company's Retail Life business unit's primary policy issuance and administration functions are performed through its Vantage, TAS and Pacesetter applications. The Company uses an internally developed application, LifeClaims GLCS, as its principal claims processing and payment application. In addition, the Company's general ledger, financial reporting and other financial functions are performed through its PeopleSoft application. These significant applications are maintained on the Company's mainframe systems.

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The Company utilizes commercial software packages for the following other significant business processes:

- Reserve calculations
- Investment management
- Cash management
- Intercompany transactions
- Payroll
- Separate accounts

No material exceptions were noted from a review of controls over the Company's information systems. The Company maintained documentation that adequately demonstrated the Company's controls over the areas of physical and logical security, Wide Area Networks, system and program development, and application program changes. In addition, the company was found to have a satisfactory disaster/business recovery plan that is regularly tested and reviewed by the Company's information systems personnel.

In accordance with Colorado Insurance Regulation 3-1-4, the Company has engaged a firm of independent certified public accountants to perform annual audits. The Company has filed the audit reports as required by the regulation. The audit workpapers for the examination period were made available and utilized in the course of performing examination procedures where possible.

In accordance with Colorado Insurance Regulation 3-1-3, the Company has filed the actuarial opinions for the examination period.

The Company's securities are held in safekeeping by custodians, which are members of the Federal Reserve System, and which satisfies the definition of "custodian," as set forth in Colorado Insurance Regulation 3-1-16(Section 4E). The custodial agreements were reviewed and found to be in compliance with the requirements of Colorado Insurance Regulation 3-1-16.

A review of the Company's records indicates that it routinely escheats unclaimed property to the appropriate jurisdictions.

STATUTORY AND SPECIAL DEPOSITS

In compliance with various statutory and special requirements, the Company maintained the following deposits as of December 31, 2010:

Special Deposits (Not held for the protection of all policyholders):

<u>Location</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Arkansas	Bond	\$ 363,000	\$ 363,000	\$ 352,851
California	Bond	83,000	83,000	88,754
Georgia	Bond	180,000	180,000	174,967
Massachusetts	Bond	910,000	910,000	894,285
New Mexico	Bond	200,000	200,000	194,408
North Carolina	Bond	1,454,000	1,454,000	1,413,347

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<u>Location</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Virginia	Bond	130,000	130,000	139,013
Guam	Bond	50,000	50,000	53,467
Puerto Rico	Bond	1,000,000	1,000,000	1,030,008
U.S. Virgin Islands	Bond	500,000	500,000	534,665
Total		<u>\$4,870,000</u>	<u>\$4,870,000</u>	<u>\$4,875,765</u>

All Other Deposits (Held for the protection of all policyholders)

<u>Location</u>	<u>Type of security</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Colorado	Bond	\$19,500,000	\$19,500,000	\$20,851,935
Texas	Bond	1,650,000	1,650,000	1,764,395
Total		<u>\$21,150,000</u>	<u>\$21,150,000</u>	<u>\$22,616,330</u>

The total deposits were reconciled to the Company's records. The above deposit with Colorado complies with the provisions of Sections 10-3-201, 10-3-206, 10-3-210 and 10-3-211, C.R.S., as well as Colorado Insurance Regulation 3-1-2.

FINANCIAL STATEMENTS

The following pages present a statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2010 as determined by this examination. This statement is followed by supporting statements and reconciliations presented in the following order:

Summary of Operations, for the Year Ended December 31, 2010

Capital and Surplus Account, for the Year Ended December 31, 2010

Reconciliation of Capital and Surplus, December 31, 2007 through December 31, 2010

Analysis of Examination Changes as of December 31, 2010

Comparative Financial Statements, as of December 31, 2007 and December 31, 2010

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ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2010

ASSETS

	<u>Assets</u>	<u>Assets not admitted</u>	<u>Net admitted assets</u>
Bonds	\$11,906,924,142	\$ 0	\$11,906,924,142
Preferred stocks	14,769,368	0	14,769,368
Common stocks	204,856,111	0	204,856,111
Mortgage loans on real estate: First liens	1,315,495,003	0	1,315,495,003
Cash and short-term investments	1,385,953,323	0	1,385,953,323
Contract loans	1,261,740,829	0	1,261,740,829
Derivatives	114,316,637	0	114,316,637
Other invested assets	880,197,590	31,537,369	848,660,221
Receivables for securities	1,903,038	0	1,903,038
Securities lending reinvested collateral assets	69,567,013	0	69,567,013
Investment income due and accrued	145,902,076	0	145,902,076
Premiums and considerations:			
Uncollected premiums and agents' balances	(63,944,203)	1,350,861	(65,295,064)
Deferred premiums and agents' balances	6,987,712	0	6,987,712
Reinsurance:			
Amounts recoverable from reinsurers	153,381,864	0	153,381,864
Funds held by or deposited with reinsured companies	175,472,404	0	175,472,404
Other amounts receivable under reinsurance contracts	86,935,445	0	86,935,445
Net deferred tax asset	412,205,491	209,809,419	202,396,072
Guaranty funds receivable or on deposit	4,124,440	0	4,124,440
Net adjustments in assets and liabilities due to foreign exchange rates	1,114,410	0	1,114,410
Receivable from parent, subsidiaries and affiliates	20,855,662	16,844	20,838,818
Health care and other amounts receivable	5,976,742	5,976,742	0
Aggregate write-ins for other than invested assets	265,853,262	248,089,950	17,763,312
From Separate Accounts Statement	1,377,507,505	0	1,377,507,505
Total admitted assets	<u>\$19,748,095,864</u>	<u>\$496,781,185</u>	<u>\$19,251,314,679</u>

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ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS (continued)
DECEMBER 31, 20010

LIABILITIES

Aggregate reserve for life contracts	\$10,638,083,944
Aggregate reserve for accident and health contracts	116,828,764
Liability for deposit-type contracts	2,884,445,096
Contract claims:	
Life	60,755,395
Accident and health	78,162,576
Provision for policyholders' dividend	
Dividends apportioned for payment	7,040,130
Dividends not yet apportioned	6,000
Premiums and annuity considerations received in advance	135,017
Other amounts payable on reinsurance	9,255,609
Commissions to agents due or accrued	3,318,858
Commissions and expense allowances payable on reinsurance assumed	1,246,996
General expenses due or accrued	19,285,376
Transfers to Separate Accounts	(57,322,680)
Taxes, licenses and fees	7,727,813
Current federal taxes	1,981,615
Unearned investment income	62,842,151
Amounts withheld or retained by company as agent or trustee	19,134,028
Amounts held for agents' account	2,296,644
Remittances and items not allocated	49,850,689
Borrowed Money	211,251,981
Asset valuation reserve	174,717,510
Reinsurance in unauthorized companies	2,011,902
Funds held under reinsurance treaties with unauthorized reinsurers	754,113,596
Payable to parent, subsidiaries and affiliates	38,438,839
Funds held under coinsurance	55,325,552
Derivatives	49,581,988
Payable for securities	2,529,869
Payable for securities lending	1,190,354,028
Aggregate write-ins for liabilities	33,368,562
From Separate Accounts Statement	1,377,507,505
Total liabilities	<u>\$17,794,275,352</u>

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ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS (continued)
DECEMBER 31, 20010

SURPLUS AND OTHER FUNDS

Common capital stock	\$ 2,880,000
Aggregate write-ins for other than special surplus funds	142,084,547
Surplus notes	165,031,867
Gross paid-in and contributed surplus	1,703,584,375
Aggregate write-ins for special surplus funds	72,594,951
Unassigned funds (surplus)	(629,136,413)
Total capital and surplus	<u>\$ 1,457,039,327</u>
Total liabilities, capital, surplus and other funds	<u><u>\$19,251,314,679</u></u>

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SUMMARY OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

Income:

Premiums and annuity considerations for life and accident and health contracts	\$2,180,117,541
Considerations for supplementary contracts with life contingencies	0
Net investment income	767,888,857
Amortization of Interest Maintenance Reserve (IMR)	(47,404,172)
Commissions and expense allowance on reinsurance ceded	227,901,944
Reserve adjustments on reinsurance ceded	(125,425,772)
Miscellaneous income:	
Income from fees associated with investment management administration and contract guarantees from separate accounts	84,719,897
Aggregate write-ins for miscellaneous income	3,587,932
Total income	<u>\$3,091,386,227</u>

Deductions:

Death benefits	\$ 217,129,234
Matured endowments	372,698
Annuity benefits	53,393,731
Disability benefits and benefits under accident and health contracts	81,900,872
Coupons, guaranteed annual pure endowments and similar benefits	4,144
Surrender benefits and withdrawals for life contracts	2,256,494,865
Interest and adjustments on contract or deposit-type contract funds	76,855,647
Payments on supplementary contracts with life contingencies	522,854
Increase in aggregate reserves for life and accident and health contracts	(110,354,053)
Total deductions	<u>2,576,319,992</u>

Expenses:

Commissions on premiums, annuity considerations, & deposit type contract funds	120,581,871
Commissions and expense allowances on reinsurance assumed	245,322,146
General insurance expenses	89,497,038
Insurance taxes, licenses and fees	16,352,866
Increase in loading on deferred and uncollected premiums	(275,804)
Net transfers to/from Separate Accounts net of reinsurance	5,867,803
Aggregate write-ins for deductions	53,567,863
Total deductions and expenses	<u>\$3,107,233,775</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ (15,847,548)
Dividends to policyholders	2,288,205
Net gain from operations after dividends to policyholders and before federal income taxes	\$ (18,135,753)
Federal income tax incurred	(18,120,749)
Net realized capital gains (losses) less capital gains tax and transferred to the IMR	<u>(339,921,497)</u>
Net income	<u><u>\$ (339,936,501)</u></u>

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CAPITAL AND SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2010

Capital and surplus December 31, previous year		<u>\$1,697,472,494</u>
Net income	\$(339,936,501)	
Change in net unrealized capital gains (losses)	283,583,120	
Change in net unrealized foreign exchange capital gain (loss)	(25,844)	
Change in net deferred income tax	189,636,851	
Change in non- admitted assets	(202,111,781)	
Change in liability for reinsurance in unauthorized companies	727,467	
Change in asset valuation reserve	(155,295,607)	
Change in surplus as a result of reinsurance	(13,117,557)	
Aggregate write-ins for gains and losses in surplus	<u>(3,893,315)</u>	
Net change in capital and surplus for the year		<u>(240,433,167)</u>
Capital and surplus, December 31, current year		<u>\$1,457,039,327</u>

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RECONCILIATION OF CAPITAL AND SURPLUS
DECEMBER 31, 2007 THROUGH DECEMBER 31, 2010

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Capital and surplus, December 31, prior year	<u>\$1,305,671,087</u>	<u>\$1,438,953,769</u>	<u>\$1,697,472,494</u>
Net income	\$ 37,565,006	\$ 23,735,287	\$ (339,936,501)
Change in net unrealized capital gains (losses)	(88,578,635)	(75,560,142)	283,583,120
Change in net unrealized foreign exchange capital gain (losses)	(1,806,464)	1,427,538	(25,844)
Change in net deferred income tax	(2,108,471)	(39,559,137)	189,636,851
Change in nonadmitted assets	(60,225,925)	(31,415,330)	(202,111,781)
Change in liability for reinsurance in unauthorized companies	(7,293,266)	6,969,677	727,467
Change in reserve change on account of change in valuation basis	0	27,866,734	0
Change in asset valuation reserve	86,877,008	29,081,293	(155,295,307)
Change in surplus in Separate Accounts Statement	0	2,212,608	0
Cumulative effect of changes in accounting principles	0	(6,080,850)	0
Surplus adjustment: paid In	210,000,000	260,000,000	0
Change in surplus as a result of reinsurance	(48,733,949)	(13,249,714)	(13,117,557)
Aggregate write-ins for gains and losses in surplus	<u>7,587,377</u>	<u>73,090,761</u>	<u>(3,893,315)</u>
Net change in capital and surplus for the year	<u>\$ 133,282,681</u>	<u>\$ 258,518,725</u>	<u>\$ (240,433,167)</u>
Capital and surplus, December 31, current year	<u><u>\$1,438,953,769</u></u>	<u><u>\$1,697,472,494</u></u>	<u><u>\$1,457,039,327</u></u>

The above amounts were extracted from the Company's filed annual statements.

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ANALYSIS OF EXAMINATION CHANGES
DECEMBER 31, 2010

	<u>Per annual statement</u>	<u>Per examination</u>	<u>Surplus increase (decrease)</u>
Admitted assets			
Total assets	<u>\$19,251,314,679</u>	<u>\$19,251,314,679</u>	<u>\$ 0</u>
<u>Liabilities</u>			
Total liabilities	<u>\$17,794,275,352</u>	<u>\$17,794,275,352</u>	<u>\$ 0</u>
<u>Capital and surplus</u>			
Total surplus	<u>\$ 1,457,039,327</u>	<u>\$ 1,457,039,327</u>	<u>\$ 0</u>
Net change per examination			<u><u>\$ 0</u></u>
Capital and surplus per annual statement			\$1,457,039,327
Net change per examination			<u>0</u>
Capital and surplus per examination			<u><u>\$1,457,039,327</u></u>

COMPARATIVE FINANCIAL STATEMENT
DECEMBER 31, 2007 AND DECEMBER 31, 2010

ADMITTED ASSETS

	<u>December 31, 2007*</u>	<u>December 31, 2010*</u>
Bonds	\$17,412,903,180	\$11,906,924,142
Preferred stocks	100,531,351	14,769,368
Common stocks	308,496,588	204,856,111
Mortgage loans in real estate: First liens	1,994,383,894	1,315,495,003
Real estate	405,170	0
Cash and short-term investments	454,074,062	1,385,953,323
Contract loans	1,346,724,103	1,261,740,829
Derivatives	0	114,316,637
Other invested assets	518,396,163	848,660,221
Receivables for securities	2,254,151	1,903,038
Securities lending reinvested collateral assets	0	69,567,013
Aggregate write ins for invested assets	20,572,665	0
Investment income due and accrued	147,927,090	145,902,076
Premiums and considerations:		
Uncollected premiums and agents' balances in course of collection	(85,059,494)	(65,295,064)
Deferred premiums and agents balances	8,233,705	6,987,712
Reinsurance:		
Amounts recoverable from reinsurers	45,118,345	153,381,864
Funds held by or deposited with reinsured companies	0	175,472,404
Other amounts receivable under reinsurance contracts	106,048,212	86,935,445
Net deferred tax asset	56,359,695	202,396,072
Guaranty funds receivable or on deposit	2,853,421	4,124,440
Electronic data processing equipment	74,419	0
Net adjustments in assets and liabilities due to foreign exchange rates	1,519,179	1,114,410
Receivable from parent, subsidiaries and affiliates	7,409,372	20,838,818
Aggregate write-ins for other than invested assets	131,217,878	17,763,312
From Separate Accounts Statement	<u>1,641,507,316</u>	<u>1,377,507,505</u>
Total admitted assets	<u>\$24,221,950,465</u>	<u>\$19,251,314,679</u>

*As determined by examination

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COMPARATIVE FINANCIAL STATEMENT
DECEMBER 31, 2007 AND DECEMBER 31, 2010

LIABILITIES

	<u>December 31, 2007*</u>	<u>December 31, 2010*</u>
Aggregate reserve for life contracts	\$11,294,515,818	\$10,638,083,944
Aggregate reserve for accident and health contracts	0	116,828,764
Liability for deposit-type contracts	8,206,189,316	2,884,445,096
Contract claims:		
Life	16,841,338	60,755,395
Accident and health	0	78,162,576
Provision for policyholders' dividend		
Dividends apportioned for payment	8,046,357	7,040,130
Dividends not yet apportioned	6,000	6,000
Premiums and annuity considerations received in advance	341,911	135,017
Other amounts payable on reinsurance	(7,510,089)	9,255,609
Interest maintenance reserve	57,978,643	0
Commissions to agents due or accrued	6,828,811	3,318,858
Commissions and expense allowances payable on reinsurance assumed	0	1,246,996
General expenses due or accrued	9,602,726	19,285,376
Transfers to Separate Accounts	(70,446,287)	(57,322,680)
Taxes, licenses and fees	9,511,206	7,727,813
Current federal taxes	15,340,388	1,981,615
Unearned investment income	36,216,744	62,842,151
Amounts held or retained by company as agent or trustee	34,702,257	19,134,028
Amounts withheld for agents' account	3,241,288	2,296,644
Remittances and items not allocated	69,745,256	49,850,689
Borrowed money	769,673,313	211,251,981
Asset valuation reserve	135,380,204	174,717,510
Reinsurance in unauthorized companies	2,415,780	2,011,902
Funds held under reinsurance treaties with unauthorized reinsurers	428,138,365	754,113,596
Payable to parent, subsidiaries and affiliates	74,897,184	38,438,839
Funds held under coinsurance	0	55,325,552
Derivatives	0	49,581,988
Payable for securities	336,571	2,529,869
Payable for securities lending	0	1,190,354,028
Aggregate write-ins for liabilities	172,778,962	33,368,562
From Separate Accounts Statement	1,641,507,316	1,377,507,505
Total liabilities	<u>\$22,916,279,378</u>	<u>\$17,794,275,352</u>

*As determined by examination

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COMPARATIVE FINANCIAL STATEMENT
DECEMBER 31, 2007 AND DECEMBER 31, 2010

SURPLUS AND OTHER FUNDS

	<u>December 31, 2007*</u>	<u>December 31, 2010*</u>
Common capital stock	\$ 2,880,000	\$ 2,880,000
Aggregate write-ins for other than special surplus funds	217,185,768	142,084,547
Surplus notes	165,031,867	165,031,867
Gross paid-in and contributed surplus	1,233,584,381	1,703,584,375
Aggregate write-ins for special surplus funds	0	72,594,951
Unassigned funds (surplus)	(313,010,929)	(629,136,413)
	<u>\$ 1,305,671,087</u>	<u>\$ 1,457,039,327</u>
Total capital and surplus		
	<u>\$ 1,305,671,087</u>	<u>\$ 1,457,039,327</u>
Total liabilities, capital, surplus and other funds	<u>\$24,221,950,465</u>	<u>\$19,251,314,679</u>

*As determined by examination

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RECOMMENDATIONS

There were no recommendations made as a result of this examination.

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CONCLUSION

The courtesy, assistance and cooperation extended by the officers and employees of the Company during the course of this examination are greatly appreciated.

In addition to the undersigned, David Crandall CFE, CIA, Derrick Freeman AFE, Olia Prokina and Josh Windsor, Examiners for RSM McGladrey, participated in the examination.

Respectfully submitted,

Connie Ridinger, CFE
 Examiner –in- Charge
 RSM McGladrey
 For the Division of Insurance
 State of Colorado